

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ADP-00 AGR-20 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08

RSR-01 TAR-02 /151 W

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R 260221Z JUL 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 7692

INFO AMEMBASSY LONDON

AMEMBASSY ISLAMABAD

UNCLAS HONG KONG 7483

DEPARTMENT PASS AGRICULTURE, FAS/COTTON DIV., EMS;

AND COMMERCE FROM AG OFFICER

LONDON AND RAWALPINDI FOR AG ATTACHE(S)

E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT: HONG KONG CONCERN OVER POSSIBILITY OF EXPORT
CONTROLS ON RJ :9559,

REFC TOFAS 116; STATE 132856

SUMMARY: INCLUSION OF COTTON UNDER U.S. EXPORT SALES
REPORTING SYSTEM CAUSING INCREASING CONCERN IN HONG KONG
SPINNING INDUSTRY WHICH BEING URGED BY LIVERPOOL AND
U.S. COTTON IMPORTERS AND EXPORTERS ASSOCIATIONS TO
MAKE REPRESENTATIONS TO WASHINGTON. BECAUSE OF HIGH
LEVEL FORWARD SELLING AND FAILURE OBTAIN CONTRACTED
PAKISTANI COTTON, H.K. PURCHASING OF U.S. COTTON UP
SHARPLY DURING PAST FEW WEEKS. END SUMMARY.

1. DR. C. T. CHU, EXECUTIVE SECRETARY, HONG KONG
COTTON SPINNERS ASSOCIATION (HKCSA), HAS CALLED ON
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ACTING PRINCIPAL OFFICER TO EXPRESS GREAT CONCERN

OF ASSOCIATION MEMBER FIRMS OVER POSSIBILITY THAT SUPPLIES OF US COTTON WILL BE SHARPLY REDUCED, IF NOT CUT OFF COMPLETELY. CONCERN APPARENTLY MOUNTING SINCE EARLIER ANNOUNCEMENT OF INCLUSION OF RAW COTTON UNDER US EXPORT SALES REPORTING SYSTEM. (HKCSA REPRESENTS 99 PERCENT OF APPROXIMATELY 850,000 SPINDLES OF HK INDUSTRY.)

2. DR. CHU POINTED OUT THAT H.K. ASSOCIATION HAD BEEN URGED BY LIVERPOOL COTTON ASSOCIATION (LCA) TO CABLE WASHINGTON EXPRESSING GRAVE CONCERN H.K. INDUSTRY. CABLES TO SECRETARIES COMMERCE AND AGRICULTURE SUBSEQUENTLY SENT BY HKCSA.

3. AG OFFICER ASSUMES FOLLOWING AMONG SEVERAL POSSIBLE REASONS BEHIND LIVERPOOL PRODDING OF HKCSA: (A) LCA INTERESTED IN ALL DEVELOPMENTS AFFECTING WORLD COTTON TRADE; (B) COTTON TRADE ARBITRATION IS FUNCTION OF LCA AND THEY NO DOUBT CONCERNED OVER POSSIBLE FLOOD OF CLAIMS IF NON-DELIVERY BECOMES WIDESPREAD PROBLEM; (C) IN 1972, H.K. EXPORTED 84.4 MILLION SQUARE YARDS OF GREY COTTON CLOTH AND 6.04 MILLION POUNDS GREY COTTON YARN TO U.K. WHERE BLEACHING, DYEING AND PRINTING CARRIED OUT. (GREY CLOTH EXPORTS TO U.K. WERE NEARLY 20 PERCENT OF TOTAL EXPORTS GREY CLOTH 1972.) FINISHING INDUSTRY U.K. NO DOUBT CONCERNED OVER POSSIBLE SLOWDOWN IN DELIVERIES H.K. GREY CLOTH AND YARN.

4. AMONG MAJOR CONCERNS OF HKCSA ARE UPWARD TREND IN EXPORTS OF COTTON TEXTILES AND HEAVY SALES COMMITMENTS ALREADY MADE TO FOREIGN BUYERS (ESP. COTTON YARN). INDUSTRY HAS ATTEMPTED COVER REQUIREMENTS THROUGH RECENT HEAVY BUYING OF US COTTON (REPORTEDLY : 0-50,000 BALES IN FIRST TWO WEEKS JULY; SEE REF. TOFAS). CY 1972 EXPORTS US COTTON TO HK ALREADY REACHED 69,000 BALES BY MAY, COMPARED ONLY 14,000 FIRST 5 MONTHS 1972. SITUATION AGGRAVATED BY PAKISTAN FAILURE EARLIER THIS YEAR TO MEET CONTRACT OBLIGATIONS SHIP APPROXIMATELY 50,000 BALES TO HONG KONG.

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5. LATEST DEVELOPMENTS: RECENT CABLE FROM AMERICAN COTTON SHIPPERS ASSOCIATION TO HKCSA EXPRESSING THEIR CONCERN ADDED URGENCY TO EMERGENCY MEETING HKCSA HELD JULY 24 TO DISCUSS COTTON SUPPLY SITUATION AND CONTRACT OBLIGATIONS IN EVENT US EXPORT QUOTAS ESTABLISHED. ACSA PLANS SEND THEIR PRESIDENT TO WASHINGTON TO MAKE REPRESENTATIONS AND HKCSA TODAY SENDING CABLES TO SECRETARIES AGRICULTURE AND COMMERCE EXPRESSING THEIR

GROWING CONCERN.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973HONGK07483
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730710/aaaaagvh.tel
Line Count: 117
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 73
Review Action: RELEASED, APPROVED
Review Authority: willialc
Review Comment: n/a
Review Content Flags:
Review Date: 09 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Aug-2001 by reddocgw>; APPROVED <20-Aug-2001 by willialc>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: HONG KONG CONCERN OVER POSSIBILITY OF EXPORT CONTROLS ON RJ :9559
TAGS: EAGR, ETRD, HK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005